USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

Date: 10/11/2007

GAIN Report Number: BR7014

Brazil

Sugar

Semi Annual

2007

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Report Highlights:
Brazilian sugarcane production for MY 07/08 is estimated at 476 mmt, down 2 mmt from the initial forecast, but up 48 mmt from MY 2006/07 due to area expansion and improved weather conditions. Sugar production for MY 2007/08 is projected at 32.1 mmt, raw value, up two percent relative to previous season, while exports are estimated at 20.6, down 250,000 mt, due to depressed international sugar prices. Total ethanol production for MY 2007/08 is projected at 20.75 billion liters, while domestic consumption should reach 17.25 billion liters, up 3 billion liters from previous season. Ethanol export estimate remain unchanged at 3 billion liters, down 845 million liters from 2006/07.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Sao Paulo ATO [BR3]
[BR]

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PS&D Tables

Commodity	Sugar Cane for Centrifugal						(1000 HA)(1000 MT)		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		05/2005	05/2005		05/2006	05/2006		05/2007	05/2007
Area Planted	6250	6250	6250	6550	6550	6550	0	7190	7190
Area Harvested	5610	5610	5610	5940	5940	5940	0	6470	6470
Production	385000	385000	386500	420000	427500	428000	0	478000	476000
Total Supply	385000	385000	386500	420000	427500	428000	0	478000	476000
Utilization for Sugar	187265	187265	187530	210500	213300	211860	0	227000	220860
Utilizatn for Alcohol	197735	197735	198970	209500	214200	216140	0	251000	255140
Total Utilization	385000	385000	386500	420000	427500	428000	0	478000	476000

Commodity	Sugar, Centrifugal						(1000 MT)		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		05/2005	05/2005		05/2006	05/2006		05/2007	05/2007
Beginning Stocks	585	585	585	-285	-285	-285	265	265	-485
Beet Sugar Production	0	0	0	0	0	0	0	0	0
Cane Sugar Production	26850	26850	26850	31600	31600	31450	32850	32850	32100
Total Sugar Production	26850	26850	26850	31600	31600	31450	32850	32850	32100
Raw Imports	0	0	0	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0	0	0	0
Total Supply	27435	27435	27435	31315	31315	31165	33115	33115	31615
Raw Exports	12690	12690	12690	15200	15200	15650	16350	16350	15450
Refined Exp.(Raw Val)	4400	4400	4400	5050	5050	5200	5450	5450	5150
Total Exports	17090	17090	17090	20250	20250	20850	21800	21800	20600
Human Dom. Consumptic	10630	10630	10630	10800	10800	10800	11050	11050	11400
Other Disappearance	0	0	0	0	0	0	0	0	0
Total Use	10630	10630	10630	10800	10800	10800	11050	11050	11400
Ending Stocks	-285	-285	-285	265	265	-485	265	265	-385
Total Distribution	27435	27435	27435	31315	31315	31165	33115	33115	31615

Production

Sugarcane

Sugarcane production for MY 2007/08 is projected at 476 million metric tons, an 11 percent increase compared to the 2006/07 harvest. The harvest season is moving along well and the end of crushing is expected in December. The Center-South (CS) should crush 418 mmt, down 2 mmt relative to previous projections. In addition, approximately 10 to 15 mmt of sugarcane is expected to be left in the field.

According to the Sao Paulo Sugarcane Agroindustry Union (UNICA), 257.3 mmt of sugarcane were crushed in the CS from March thru August, about 62 percent of the ATO's estimated volume for the current marketing year. UNICA reports that 15.45 million tons of sugar, tel quell, and 11.33 billion liters of ethanol were produced through August 31. These figures clearly indicate that more sugarcane has been diverted toward ethanol production than from the previous crop (16.8 million tons of sugar and 9.98 billion liters of ethanol were produced during the same period last year).

The North-Northeast (NNE) is projected to crush 58 mmt of sugarcane, unchanged from the previous forecast. The crush has just started for major producers in Alagoas and Pernambuco. Harvest should extend though March.

The following tables show monthly sugarcane crush data for the state of Sao Paulo and the CS region for the 2003/04 to 2007/08 crops (Apr-Mar), as reported by UNICA. Sao Paulo represents approximately 70 percent of the CS production. Cumulative sugarcane crushed in the CS states for current crop up to September 1 (257.3 mmt) is 7 percent higher the same period last season (241.5 mmt).

Sugarcane crushed in the state of Sao Paulo (1,000 metric tons).					
Month	03/04	04/05	05/06	06/07	07/08
April	8,802.9	4,649.8	11,100.4	13,761.0	11,648.6
May	27,380.0	20,491.1	30,740.0	35,913.9	35,167.2
June	32,563.2	31,267.0	35,561.1	39,237.0	42,870.7
July	34,488.3	34,579.0	37,355.1	40,843.1	38,275.1
August	33,539.6	37,836.4	38,898.5	39,660.5	46,018.0
September	31,994.8	35,566.1	33,435.7	36,468.5	--
October	27,318.7	28,856.0	31,235.6	31,047.8	--
November	11,217.8	26,259.1	20,614.4	22,352.7	--
December	505.3	10,091.9	3,888.2	5,054.0	--
January	0.0	985.6	0.0	0.0	--
Cumulative	207,810.5	230,582.0	242,828.8	264,338.7	173,979.7
Source: Sugar and Alcohol Millers Association of Sao Paulo State (UNICA).					

Sugarcane crushed in Center-Southern Brazil (1,000 metric tons).					
Month	03/04	04/05	05/06	06/07	07/08
April	13,666.4	8,680.4	15,644.5	19,294.5	20,196.6
May	38,432.9	30,040.4	43,740.7	50,535.4	51,206.1
June	45,983.6	44,554.0	49,717.1	55,869.1	61,993.4
July	48,933.5	48,570.3	53,307.1	58,502.5	56,862.5
August	47,704.9	54,003.9	55,236.0	57,322.7	67,040.5
September	44,886.1	50,275.9	46,546.0	51,049.4	--
October	38,456.9	41,300.6	42,026.9	42,769.1	--
November	19,165.6	35,809.9	25,388.8	30,731.2	--
December	1,542.2	14,000.4	5,087.6	6,679.8	--
January	625.2	1,763.0	88.6	0.0	--
Cumulative	299,397.3	328,998.9	336,783.3	372,753.6	257,299.0
Source: Sugar and Alcohol Millers Association of Sao Paulo State (UNICA).					

Area and Yields

Estimated sugarcane area for MY 2007/08 remains unchanged at 7.19 million hectares. Sugarcane area for harvesting is forecast at 6.47 million ha, 90 percent of the total planted area. The area planted for sugarcane production, according to the Brazilian Institute of Geography and Statistics (IBGE) and the Agricultural Economics Institute (IEA) of the State of Sao Paulo Secretariat of Agriculture, follows.

Area Planted to Sugarcane (1,000 ha).										
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Brazil	5,050.0	4,975.2	4,879.8	5,022.2	5,206.7	5,377.2	6,252.0	6,491.2	7,086.7	7,817.0
Sao Paulo	2,565.0	2,500.0	2,822.1	3,008.7	3,117.6	3,312.8	3,415.9	3,637.4	4,258.4	4,833.9
Sources: IBGE, IEA										

Post estimates agricultural yield for MY 2007/08 at 73.6 metric tons (mt)/hectare (ha), up slightly from MY 2006/07 (72.1 mt/ha). The industrial yield is estimated at 142.5 kg of TRS (total reducing sugars)/mt of sugarcane, down from the exceptional yields achieved last year (145.8 kg TRS/mt). The table below shows the historical sugarcane industrial yield.

Sugarcane Industrial Yields										
	MY 98/99	MY 99/00	MY 00/01	MY 01/02	MY 02/03	MY 03/04	MY 04/05	MY 05/06	MY 06/07	MY 07/08
TRS/ton	139.31	141.81	142.08	142.66	146.44	146.40	143.46	142.47	145.81	142.50
Source: Datagro, UNICA, ATO/Sao Paulo for MY 2003/04, 2004/05, 2005/06, 2006/07 and 2007/08 (forecast)										

Sugar and Ethanol

As previously expected, industry has diverted an increasing share of sugarcane toward ethanol production due to strong domestic demand for the product and less attractive sugar prices. According to industry contacts, although Brazil is the largest sugar exporter, depressed sugar prices are a consequence of high production in India and international prices are unlikely to rebound until mid 2008. Total sucrose (total reducing sugar, TRS) content destined for sugar and ethanol production is estimated at 46.4 and 53.6 percent, respectively, a significant change from previous season (49.5 and 50.5 percent, respectively).

Sugar production for MY 2007/08 is estimated at 32.1 million metric ton (mmt), raw value, up 2 percent compared to MY 2006/07 (31.45 mmt, raw value), but 2 percent lower than the previous forecast for current season. The CS states should account for 27.35 mmt, raw value, up 350,000 mt from previous season. The NNE should contribute 4.75 mmt of sugar, raw value, up 300,000 vis-à-vis 2006/07.

The tables below show monthly sugar production for the state of Sao Paulo and the CS region for the 2003/04 to 2007/08 crops (April-Mach), as reported by UNICA.

Sugar production in the state of Sao Paulo (Metric tons, tel quel, Apr/Mar).					
Month	03/04	04/05	05/06	06/07	07/08
April	277,632.0	237,758.0	573,693.0	667,102.0	506,916.0
May	1,661,920.0	1,281,287.6	1,895,471.0	2,393,034.7	2,059,862.0
June	2,223,106.8	2,106,071.3	2,374,535.8	2,982,938.1	2,768,096.0
July	2,592,285.2	2,571,142.1	2,600,509.3	3,283,896.0	2,531,149.0
August	2,716,037.4	3,000,822.0	2,955,857.9	3,321,414.6	3,236,764.6
September	2,642,244.6	2,971,773.0	2,600,070.5	3,004,301.7	--
October	2,188,716.0	2,177,653.0	2,234,867.5	2,239,679.8	--
November	841,021.0	1,669,759.0	1,368,359.0	1,435,440.2	--
December	45,924.0	526,481.0	154,204.0	182,657.0	--
January	1,516.0	-27,380.0	0.0	0.0	--
Cumulative	15,190,403.0	16,515,367.0	16,757,568.0	19,510,464.0	11,102,787.6
Source: Sugar and Alcohol Millers Association of Sao Paulo State (UNICA).					

Sugar production in Center-Southern Brazil (Metric tons, tel quel, Apr/Mar).					
Month	03/04	04/05	05/06	06/07	07/08
April	474,840	416,907	776,552	868,062	852,020
May	2,209,450	1,763,053	2,548,993	3,180,638	2,815,386
June	2,963,936	2,829,235	3,172,441	4,002,254	3,766,369
July	3,460,215	3,388,867	3,529,777	4,407,637	3,549,003
August	3,620,702	4,029,261	3,980,457	4,483,362	4,469,119
September	3,471,299	3,957,850	3,407,693	3,918,878	--
October	2,866,947	2,919,156	2,845,850	2,865,209	--
November	1,260,481	2,130,609	1,564,896	1,814,436	--
December	98,094	680,687	183,613	255,317	--
January	13,881	-8,996	4,863	0	--
Cumulative	20,439,846	22,106,629	22,015,135	25,795,792	15,451,897
Source: Sugar and Alcohol Millers Association of Sao Paulo State (UNICA).					

Total ethanol production for MY 2007/08 is projected at 20.75 billion liters (8.05 billion liters of anhydrous ethanol and 12.7 billion liters of hydrated ethanol), up 2.9 billion liters from previous marketing year (refer to BR7011 for more information on ethanol production). Strong domestic demand for fuel ethanol is pushing production. The steady sales of flex-fuel vehicles (FFV) as well as the relative low prices of ethanol at the pump (compared to gasoline) have encouraged consumers to use ethanol. Indeed, domestic demand for ethanol for MY 2007/08 is projected at 17.25 billion liters, up 3.05 billion liters compared to MY 2006/07. The table below shows the sales of FFV and hydrated ethanol powered cars since 2003. Note that sales of FFV currently represent over 80 percent of new vehicle sales.

Domestic Sales of Alcohol Powered Vehicles (pure alcohol & flex fuel units)								
1999	2000	2001	2002	2003	2004	2005	2006	2007 1/
10,947	10,292	18,335	55,961	84,558	379,329	897,308	1,425,177	1,265,108
Source: ANFAVEA 1/ January-August.								
Note: flex fuel vehicles were introduced in March 2003.								

The table below shows the average prices for gasoline and ethanol, as well as the price ratio for January-February (off-peak) and June and August (peak season) in 2005, 2006 and 2007 for selected Brazilian states and metropolitan cities. In practice, a 70 percent ratio between ethanol and gasoline prices is generally accepted as determining if flex car owners will choose to fill up with ethanol (price ratio below 70 percent) or gasoline (price ratio above 70 percent).

The price ratio is notably more favorable to ethanol in 2007 relative to 2006. In addition, the ratio indicates expected higher ethanol consumption for MY 2007/08, even in cities that are distant from producing regions, such as Porto Alegre and Fortaleza.

Gasoline and Ethanol Prices in Selected States (average price, R$/liter)										
		Gasoline			Ethanol			Ratio Ethanol/Gasoline		
		2005	2006	2007	2005	2006	2007	2005	2006	2007
Sao Paulo	January	2.187	2.376	2.405	1.240	1.759	1.367	57%	74%	57%
State	February	2.190	2.373	2.339	1.228	1.546	1.361	56%	65%	58%
	June	2.147	2.415	2.419	0.990	1.305	1.314	46%	54%	54%
	August	2.147	2.424	2.384	1.066	1.358	1.128	50%	56%	47%
Sao Paulo	January	2.185	2.371	2.403	1.242	1.496	1.363	57%	63%	57%
City	February	2.190	2.370	2.397	1.231	1.545	1.356	56%	65%	57%
	June	2.149	2.412	2.416	0.994	1.306	1.316	46%	54%	54%
	August	2,146	2,420	2.383	1,064	1,357	1.135	50%	56%	48%
Minas Ger	January	2.156	2.382	2.392	1.578	1.867	1.749	73%	78%	73%
	February	2.148	2.398	2.360	1.571	1.924	1.744	73%	80%	74%
	June	2.085	2.396	2.404	1.404	1.845	1.662	67%	77%	69%
	August	2.134	2.408	2.372	1.463	1.809	1.526	69%	75%	64%
Belo Horizo	January	2.115	2.336	2.345	1.550	1.853	1.733	73%	79%	74%
(MG Capita	February	2.107	2.352	2.315	1.548	1.915	1.730	73%	81%	75%
	June	2.045	2.364	2.379	1.392	1.840	1.643	68%	78%	69%
	August	2,092	2,376	2.342	1,444	1,811	1.500	69%	76%	64%
Rio Janeiro	January	2.268	2.511	2.488	1.598	1.850	1.728	70%	74%	69%
State	February	2.264	2.517	2.488	1.586	1.887	1.754	70%	75%	70%
	June	2.234	2.534	2.511	1.419	1.807	1.653	64%	71%	66%
	August	2.225	2.519	2.490	1.419	1.775	1.513	64%	70%	61%
Rio de Jar	January	2.265	2.505	2.481	1.595	1.841	1.717	70%	73%	69%
Capital	February	2.260	2.511	2.483	1.581	1.876	1.737	70%	75%	70%
	June	2.231	2.526	2.507	1.412	1.795	1.640	63%	71%	65%
	August	2,221	2,514	2.486	1,412	1,770	1.500	64%	70%	60%
Porto Aleg	January	2.442	2.596	2.600	1.702	2.222	1.848	70%	86%	71%
(RS Capita	February	2.411	2.630	2.463	1.654	2.228	1.829	69%	85%	74%
	June	2.475	2.689	2.585	1.667	2.100	1.789	67%	78%	69%
	August	2,549	2,724	2.481	1,752	2,056	1.512	69%	75%	61%
Goiania	January	2.371	2.516	2.329	1.551	1.660	1.425	65%	66%	61%
(GO Capit	February	2.289	2.480	2.499	1.474	1.777	1.487	64%	72%	60%
	June	2.162	2.426	2.583	1.182	1.467	1.359	55%	60%	53%
	August	2,280	2,635	2.233	1,184	1,457	1.093	52%	55%	49%
Fortaleza	January	2.344	2.560	2.625	1.656	1.756	1.661	71%	69%	63%
(CE Capita	February	2.214	2.656	2.620	1.641	1.812	1.680	74%	68%	64%
	June	2.262	2.705	2.492	1.627	1.950	1.719	72%	72%	69%
	August	2,418	2,741	2.638	1,618	1,953	1.676	67%	71%	64%
Source: Petroleum, Natural Gas and Biofuels National Agency (ANP). 1/ July 2007 refers to July 1-14.										
Light Green Area means ethanol prices more attractive than gasoline										
Dark Green Area means gasoline prices more attractive than ethanol										

Estimates released by the Brazilian Ministry of Agriculture, Livestock and Supply (MAPA), place cumulative alcohol production for the 2006/07 crop through May 1, 2007 at 17.9 billion liters – 8.1 billion liters of anhydrous alcohol and 9.8 billion liters of hydrated alcohol. The tables below show sugarcane, sugar and ethanol production by state for the 2006/07 and 2007/08 crops, as reported by MAPA.

Cane, Sugar and Alcohol Production by State and Region: 2006/07 Crop (MT and 000 Liters)					
			Alcohol		
State/Region	Cane	Sugar	Anhydous	Hydrous	Total
Alagoas	24,363,099	2,209,290	279,703	357,239	636,942
Amazonas	224,701	15,712	0	5,650	5,650
Bahia	2,278,680	122,571	65,324	29,699	95,023
Ceara	27,372	1,471	0	1,002	1,002
Maranhao	1,660,264	2,718	107,899	20,570	128,469
Para	697,420	5,210	42,698	9,120	51,818
Paraiba	4,909,016	135,878	137,619	175,366	312,985
Pernambuco	14,549,710	1,267,801	196,468	117,826	314,294
Piaui	706,059	3	39,202	11,299	50,501
Rio Grande do Norte	2,397,446	259,053	53,367	24,466	77,833
Sergipe	1,349,324	62,162	36,190	26,623	62,813
Tocantins	179,316	0	9,442	2,125	11,567
NNE	53,342,407	4,081,869	967,912	780,985	1,748,897
Espirito Santo	2,890,166	48,949	116,468	47,548	164,016
Goias	16,140,042	768,168	382,644	439,327	821,971
Minas Gerais	29,153,432	1,915,685	600,743	699,162	1,299,905
Mato Grosso do Sul	11,635,093	574,009	207,153	433,690	640,843
Mato Grosso	13,059,354	540,198	305,094	442,387	747,481
Parana	31,815,954	2,168,637	411,981	898,568	1,310,549
Rio de Janeiro	3,445,153	262,093	29,429	58,026	87,455
Rio Grande do Sul	91,919	0	0	5,686	5,686
Sao Paulo	265,379,217	20,265,290	5,060,237	5,999,876	11,060,113
Center South	373,610,330	26,543,029	7,113,749	9,024,270	16,138,019
TOTAL	426,952,737	30,624,898	8,081,661	9,805,255	17,886,916
Source: Ministry of Agriculture, Livestock and Supply, Sugar and Alcohol Dept, 05/01/07					

Cane, Sugar and Alcohol Production by State and Region: 2007/08 Crop (MT and 000 Liters)					
			Alcohol		
State/Region	Cane	Sugar	Anhydous	Hydrous	Total
Alagoas	0	0	0	0	0
Amazonas	64,798	3,214	0	1,398	1,398
Bahia	1,236,446	44	45,329	25,846	71,175
Ceara	0	0	0	0	0
Maranhao	1,065,397	4,675	60,371	18,349	78,720
Para	180,623	3,431	6,418	2,995	9,413
Paraiba	232,113	0	1,002	15,504	16,506
Pernambuco	0	0	0	0	0
Piaui	255,185	104	10,710	3,250	13,960
Rio Grande do Norte	134,001	10,579	1,360	412	1,772
Sergipe	0	0	0	0	0
Tocantins	0	0	0	0	0
NNE	3,168,563	22,047	125,190	67,754	192,944
Espirito Santo	2,346,908	54,806	105,779	33,333	139,112
Goias	9,903,313	453,364	218,942	311,664	530,606
Minas Gerais	19,180,309	1,117,501	296,735	537,202	833,937
Mato Grosso do Sul	7,823,172	307,295	104,508	341,180	445,688
Mato Grosso	8,708,798	323,230	219,605	272,552	492,157
Parana	20,511,362	1,294,335	173,976	699,579	873,555
Rio de Janeiro	2,084,634	121,932	20,114	44,093	64,207
Rio Grande do Sul	50,754	0	0	2,508	2,508
Sao Paulo	147,167,269	9,589,864	2,781,608	4,206,303	6,987,911
Center South	217,776,519	13,262,327	3,921,267	6,448,414	10,369,681
TOTAL	220,945,082	13,284,374	4,046,457	6,516,168	10,562,625
Source: Ministry of Agriculture, Livestock and Supply, Sugar and Alcohol Dept, 08/16/07					

Sugarcane, Sugar and Ethanol Prices in the Domestic Market

According to the Sugarcane Growers Organization for Center-Southern Brazil (ORPLANA), the average MY 2006/07 sugarcane price paid to third party suppliers in the state of Sao Paulo was R$ 0.3465 per kg of TRS or R$ 51.93 per ton of sugarcane. These figures represent 26 and 28 percent increases compared to MY 2005/06 (R$ 0.3084 per kg of TRS or R$ 44.95 per ton of sugarcane). The average price paid to sugarcane suppliers in August 2007 is R$ 0.2506 per kg of TRS or approximately R$ 34 per ton of sugarcane, a notable reduction from the previous season, due to depressed sugar and ethanol prices. Note that the aforementioned figures represent prices actually paid to third party suppliers.

The Crystal Sugar Index released by the University of Sao Paulo's College of Agriculture "Luiz de Queiroz" (ESALQ) follows. The Index tracks crystal sugar prices in the domestic spot market. Both sugar and ethanol prices have dropped significantly from the previous year due to the high availability of product and lower prices. Price equivalences for mid-August 2007 among different sugarcane products are also shown below.

Crystal Sugar Prices in the Domestic Market (Real, 50kg/bag, including tax).					
Period	2003	2004	2005	2006	2007
January	41.92	19.66	29.40	47.80	36.79
February	45.17	18.18	28.78	51.55	34.96
March	43.89	21.62	33.24	51.72	34.70
April	39.24	28.00	33.63	50.61	33.87
May	30.87	22.42	26.24	48.56	28.56
June	25.09	26.57	26.13	49.72	24.94
July	23.93	27.85	29.19	50.25	24.38
August	29.41	30.00	30.51	44.10	25.18
September	24.31	28.73	31.80	37.99	25.11
October 1/	21.14	27.62	33.69	37.32	23.92
November	20.38	29.90	34.28	36.47	--
December	21.42	31.43	39.15	36.78	--
Source: USP/ESALQ/CEPEA 1/ October 2007 refers to October 09.					

Fuel Alcohol Prices: State of São Paulo (R$/000 liters).										
						Hydrated				
Month	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007
January	922.03	633.43	885.13	1,040.59	870.69	803.02	561.13	763.41	1018.24	845.36
February	1024.82	451.61	847.92	1063.94	837.39	876.62	372.62	765.47	1064.2	802.87
March	1005.16	390.48	875.67	1191.42	912.93	857.81	341.15	772.09	1208.53	855.05
April	996.71	462.93	842.91	1185.53	1072.57	840.26	415.9	734.91	1063.46	940.51
May	883.79	541.86	680.88	966.47	883.78	745.22	472.73	593.29	848.56	690.84
June	644.80	628.86	669.81	983.66	675.07	576.24	536.48	584.96	854.55	587.86
July	586.23	678.64	773.32	1036.03	668.53	476.43	580.63	672.77	898.36	583.99
August	709.35	756.54	759.74	955.43	665.58	599.60	653.07	657.65	819.57	581.02
September	669.34	774.52	843.78	878.49	660.73	576.70	654.32	735.72	756.09	580.96
October	593.17	905.57	938.00	867.02	659.55	505.29	766.69	820.25	758.58	580.27
November	650.31	978.91	928.65	858.93	--	527.76	837.73	817.91	751.59	--
December	708.84	907.16	1053.25	849.55	--	608.18	774.33	947.24	778.07	--
Source: USP/ESALQ/CEPEA. 1/ October 2007 refers to October 1-5.										

	Price Equivalence - prices paid for producers, Ribeirao Preto region, state of Sao Paulo										
Price Equivalence should be read vertically	Anhydrous alcohol (R$/m3 (including PIS, COFINS, not including ICMS)										
	560.46	616.50	672.55	728.59	784.64	840.69	896.73	952.78	1,008.82	1,064.87	1,120.91
	Hydrated Alcohol - R$/m3 (including PIS, COFINS and 25 % ICMS)										
	592.77	652.05	711.32	770.60	829.88	889.15	948.43	1,007.71	1,066.98	1,126.26	1,185.54
	Crystal Sugar for the domestic market - R$/50 kg bag (including, PIS, COFINS and 7% ICMS)										
	20.89	22.80	24.70	26.61	28.51	30.41	32.32	34.22	36.12	38.03	39.93
	VHP Sugar for export market - US$ cents/lb - FOB price, Port of Santos										
	8.43	9.11	9.79	10.47	11.14	11.82	12.50	13.17	13.85	14.53	15.21
	Sources: Datagro, NYCSCE, LIFE, BM&F.										
	Note: Price equivalence should be read for each column, parameters updated in August 15, 2006. Exchange rate = R$1.94/1US$										

Consumption

The ATO/Sao Paulo projection for Brazilian MY 2007/08 consumption has been adjusted upward to 11.4 mmt, raw value, up 600,000 mt from MY 2006/07 (10.8 mmt), to reflect updated information on actual consumption. Domestic sugar consumption is driven not only by Brazilian population growth, but also the expansion in the food processing sector, which uses more sugar for indirect consumption.

Trade

Sugar Exports

Brazilian sugar exports for MY 2007/08 are estimated at 20.6 mmt, raw value, down 1.2 mmt relative to previous estimate, due to depressed sugar prices and strong ethanol demand. Raw sugar exports should contribute 15.45 mmt or 75 percent of total exports. Refined exports should account 5.15 mmt, raw value.

Sugar exports for MY 2006/07 were adjusted to 20.85 mmt, raw value, reflecting up to date information from the industry. The following tables show Brazilian sugar exports by destination for MY 2006/07 and MY 2007/08, as reported by the Brazilian Secretariat of Foreign Trade (SECEX).

Brazilian Sugar Exports by Country of Destination (NCM 1701.11.00, MT tel quel, US$ 000 FOB)						
	MY 2006/07 1/		MY 2007/08 2/		MY 2006/07 2/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
Russia	3,779,425	1,151,478	1,703,487	417,659	1,488,935	475,992
Iran	1,432,899	436,179	274,172	66,307	542,402	180,858
Egypt	928,004	286,407	229,158	54,157	490,250	151,899
Algeria	773,268	243,833	316,841	73,160	282,600	95,992
Morocco	650,351	187,144	103,012	24,842	271,097	85,549
Nigeria	730,938	233,052	350,786	89,267	230,439	76,685
Canada	759,125	230,487	211,928	49,928	210,600	68,074
Malaysia	828,348	247,560	407,449	93,017	188,479	70,262
U.A.E.	385,967	125,250	136,996	34,518	179,020	61,409
Venezuela	173,699	61,771	110,015	24,621	119,539	43,436
Others	2,639,664	840,963	728,184	186,964	641,856	220,342
Total	13,081,688	4,044,125	4,572,028	1,114,440	4,645,218	1,530,498
Source : Brazilian Foreign Trade Secretariat (SECEX)						
Note : Numbers may not add due to rounding. 1/May-April 2/May-August						

Brazilian Sugar Exports by Country of Destination (NCM 1701.99.00, Metric ton, tel, quel, US$ 000 FOB)						
	MY 2006/07 1/		MY 2007/08 2/		MY 2006/07 2/	
Country	Quantity	Value	Quantity	Value	Quantity	Value
U.A.E.	909,770	283,862	483,474	112,087	259,474	96,297
Yemen	484,683	190,135	133,617	37,098	216,083	93,927
Saudi Arabia	502,180	153,694	276,989	62,126	174,490	65,519
Ghana	307,130	111,661	74,132	20,955	128,968	50,248
Bangladesh	177,324	70,627	12,387	2,839	127,119	52,481
Sri Lanka	160,394	64,287	0	0	98,984	41,411
Angola	250,297	96,209	71,629	21,880	89,104	38,475
South Africa	283,384	93,273	297,379	86,218	82,155	27,468
Nigeria	309,634	88,402	44,515	13,314	80,852	25,431
Pakistan	94,451	37,526	54	16	75,535	30,823
Others	3,494,559	1,282,816	1,145,127	339,428	681,300	285,487
Total	6,973,804	2,472,492	2,539,302	695,963	2,014,062	807,566
Source : Brazilian Secretariat of Foreign Trade (SECEX)						
Note : Numbers may not add due to rounding. 1/May-April 2/May-August						

Ethanol Exports

Post projection for Brazilian ethanol exports for MY 2007/08 remain unchanged at 3 billion liters, an 845 million liter reduction compared to the previous marketing year. Lower demand for Brazilian exports is expected as a result of increased ethanol production capacity in the United States and the strength of the Real vis-à-vis the U.S. dollar (refer to BR7011 for more information). The table below shows Brazilian ethanol exports for MY 2006/07 and MY 2007/08, as reported by the Brazilian Secretariat of Foreign Trade (SECEX).

Brazilian Alcohol Exports by Country of Destination (NCM 2207.10.00, MT, 000 Liters, US$ FOB)									
	MY 2006/07 1/			MY 2006/07 2/			MY 2007/08 2/		
Country	Volume	Weight	Value	Volume	Weight	Value	Volume	Weight	Value
U.S.A.	1,552,001	1,228,535	784,895	697,056	551,447	358,157	455,421	360,453	183,989
Netherlands	396,380	314,553	187,233	82,632	65,994	38,592	200,372	158,884	85,282
Sweden	217,838	173,690	93,357	73,953	58,999	26,781	21,305	17,185	8,598
El Salvador	197,031	159,004	91,024	58,203	46,685	28,920	145,874	117,952	53,804
Costa Rica	114,194	92,342	49,003	43,737	35,355	16,271	69,937	56,517	28,584
South Korea	55,831	45,123	22,901	32,457	26,224	13,184	21,885	17,698	9,252
Japan	266,552	215,069	126,318	23,771	19,196	10,323	96,690	78,108	40,071
Jamaica	191,325	154,723	83,071	22,054	17,836	9,759	133,328	107,757	51,916
Nigeria	87,237	70,521	40,274	13,623	11,007	6,009	42,328	34,205	15,419
Mexico	56,008	45,329	19,991	13,323	10,771	3,939	10,888	9,102	5,433
Others	360,905	289,118	181,155	34,327	27,403	18,867	121,005	97,621	49,315
Total	3,495,302	2,788,006	1,679,223	1,095,137	870,917	530,801	1,319,033	1,055,483	531,663
Source : Brazilian Foreign Trade (SECEX)									
Note : Numbers may not add to rounding. 1/May- April. 2/May-August.									

Brazilian Alcohol Exports by Country of Destination (NCM 2207.20.10, MT, 000 Liters, US$ 000 FOB)									
	MY 2006/07 1/			MY 2006/07 2/			MY 2007/08 2/		
Country	Volume	Weight	Value	Volume	Weight	Value	Volume	Weight	Value
U.S.A.	258,845	204,585	136,656	191,633	151,492	102,101	0	0	0
Venezuela	25,484	20,140	15,736	20,383	16,112	13,408	0	0	0
Sweden	25,476	20,108	10,216	1,808	1,427	918	0	0	0
Netherlan	7,504	5,945	3,180	1,310	1,055	622	1,955	1,576	971
Angola	166	134	128	7	6	10	0	0	0
Jamaica	20,541	16,519	8,655	0	0	0	10,385	8,387	4,086
France	8,900	7,028	3,909	0	0	0	0	0	0
Trinidad T	2,981	2,401	1,238	0	0	0	0	0	0
South Kor	131	106	67	0	0	0	3,979	3,219	1,993
Cote d'Ivo	32	26	36	0	0	0	108	87	91
Others	0	0	0	0	0	0	6,954	5,588	2,694
Total	350,060	276,990	179,821	215,141	170,092	117,060	23,380	18,858	9,835
Source : Brazilian Foreign Trade Secretariat (SECEX)									
Note : Numbers may not add due to rounding, 1/May-April. 2/May-August.									

Stocks

Carry-over stocks for sugar for MY 2007/08 are projected at -385,000 metric tons, while ending stocks for MY 2006/07 have been revised to -485,000 metric tons. While the Agricultural Trade Office (ATO)/Sao Paulo and many other institutions continue to refer to a May-April marketing year for sugarcane, harvesting actually begins as early as mid-March in the far south and mid-April (weather permitting) in Sao Paulo state. As a result, over the past two years approximately five percent of the Center-South sugarcane crop has been crushed and entered consumption channels *prior to* the beginning of the marketing year. One consequence is the apparent contradiction of negative ending stocks.

Policy

Current legislation requires ethanol content between 20 and 25 percent, with the executive branch having the flexibility to adjust within that band. The percentage of ethanol blended to gasoline was fixed at 25 percent on June 1, 2007, as a consequence of high availability of the product.

Exchange Rate

Exchange Rate (R$/US$1.00 - official rate, last day of period)					
Month	2003	2004	2005	2006	2007
January	3.53	2.94	2.62	2.22	2.12
February	3.56	2.91	2.60	2.14	2.12
March	3.35	2.91	2.67	2.17	2.05
April	2.89	2.94	2.53	2.09	2.03
May	2.97	3.13	2.40	2.30	1.93
June	2.87	3.11	2.35	2.16	1.93
July	2.97	3.03	2.39	2.18	1.88
August	2.97	2.93	2.36	2.14	1.96
September	2.92	2.86	2.22	2.17	1.84
October 1/	2.86	2.86	2.25	2.14	1.81
November	2.95	2.73	2.21	2.17	---
December	2.89	2.65	2.26	2.14	---
Source: Gazeta Mercantil. And BACEN (as of October 2006).					
1/ October 2007 refers to October 9.					